

CSR REPORT 2016



Corporate Philosophy

1. Customer First

We are committed to supplying our customers with products of superior quality and features in response to their needs while continuing to strive for more competitive costs and improved customer services.

2. Development of New Technology

We focus on manufacturing excellence with a competitive edge in the global market while pursuing more advanced technology.

3. Maximizing Human Capital

We are committed to creating a pleasant and vigorous work environment, embracing a diverse workforce with various talents to achieve their full potential.

4. Challenge for the Future

We welcome any challenge with passion and creativity to respond confidently to ever-changing world markets.

5. Contribution to Society

Our management that is based on compliance contributes on progress of society through the business activities with environmental consideration.

Editorial Policy

Purpose

To issue reports for use as a tool to communicate with stakeholders.

The content of reports will introduce initiatives, based around the seven core subjects of ISO 26000, which relates to social responsibility.

Period of Application

The period of application is stated as fiscal 2015 (April 1, 2015 to March 31, 2016), however some matters relate to outside this period.

Scope of Application

The scope of application is stated as Mitsubishi Steel Mfg. Co., Ltd., however, it also applies to some Group companies.

Reporting Media

The CSR REPORT 2016 is available on our website.
<http://www.mitsubishisteel.co.jp/english/index.htm>

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Managing Environmental Impact

Issued November 2016

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President

Motoyuki Sato

A handwritten signature in black ink, appearing to read 'M. Sato'.

Creating a sustainable society through manufacturing

The Mitsubishi Steel Group engages in a variety of businesses that involve special steel bars, springs, casting and forging products, and machinery, in Japan and overseas. In recent years, we have actively directed our efforts to expanding our businesses on a global scale to strengthen our international competitiveness. In fiscal 2015, we increased the variety of items we produce in China (MSM Ningbo Spring Co., Ltd.), and established a new subsidiary in Mexico (MSSC MFG Mexicana, S.A. de C.V.). Along with such expansion of our businesses, we are strengthening our CSR by addressing issues relating to human rights, the environment, and other aspects of CSR from a global perspective, and contributing to creating a sustainable society through manufacturing.

We believe environmental conservation is an essential issue to creating a sustainable society, particularly as we are seeing numerous incidents of devastating damage in Japan and abroad brought about by disasters caused by extreme weather, which is itself an impact of global warming. Thus, at the Mitsubishi Steel Group, we ensure environmentally friendly manufacturing operations, including not only production processes, but all stages from development and design, based on strict adherence to the Mitsubishi Steel Group Environmental Policy. We are committed to making continuous Group-wide efforts to fulfill our social responsibility, with the aim of becoming a company that is trusted by society, as well as one where employees can work with confidence and pride.

To continue being a company needed by society

To fulfill our social mission, we will adhere to our Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct and aim to become an even more trustworthy company by maintaining communication with our stakeholders, which include customers, business partners, shareholders, employees, and local communities. Furthermore, in line with today's trend that places greater emphasis on corporate governance than ever before, we will strive to create a globally-oriented business structure that can thrive in any business environment, and ensure transparent and sound business management, in an effort to maximize our corporate value.

With respect to technological aspects, we established a Research & Development Center in April 2016 to further develop our Group's technologies by consolidating the technology sections of each business segment under one roof. By seeking a synergy of technologies and knowhow among each business

We will contribute to resolving social issues through our business.

segment, supporting the development and local procurement of materials, and also promoting the application of IoT to production technologies, we will do our part in creating a sustainable society.

Creating a workplace where all personnel work actively

We regard safety and health management as a priority issue that forms the foundation of our business activities, and strive to be a company where all personnel work actively and in good health. We engage in diversity management, and have established a vision for promoting women's active participation with 2020 as the target year. We are also focusing on developing human resources who are capable of contributing to global operations, based on the awareness that human resource development is indispensable to achieving sustainable growth. By actively promoting the above, we will continue to bring new DNA into the Group.

We will aim for further growth in line with our 2016 Mid-term Business Plan

The automotive and construction machinery industries, which are our major customers, as well as the environment that surrounds them, are poised to be impacted by dynamic changes in the international situation and global economy, and to be exposed to competition that is more intense than ever before. Amidst this situation, our Group has achieved financial soundness, and has begun to shift toward the next stage, which will focus mainly on global investment. To further accelerate this move and achieve continuous growth of our Group, we have formulated the 2016 Mid-term Business Plan, comprising our targets, strategies, and initiatives for the five years from fiscal 2016 to 2020.

Based on this Mid-term Business Plan, we will engage in business activities under the slogan "The First Step for the Coming 10 Years, Shift from 'Processing Special Steel' to 'Creating Added Value from Materials,'" and aim to achieve further growth and increase the corporate value of the Mitsubishi Steel Group.

Thank you for your continued understanding and support.

2016 Mid-term Business Plan - Slogan

The First Step for Coming 10 Years,

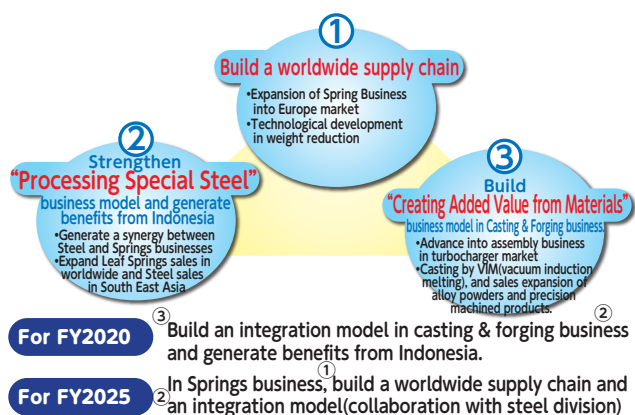
Shift from "Processing Special Steel" to "Creating Added Value from Materials"

Vision

Strengthen Our "Processing Special Steel" Business Model with its Worldwide Acceleration and the Synergy between Steel and Springs Divisions

Generate "Creating Added Value from Materials" Business Model with its Expansion into New Industrial Sectors, and make Casting & Forging Division the Third Profit Center

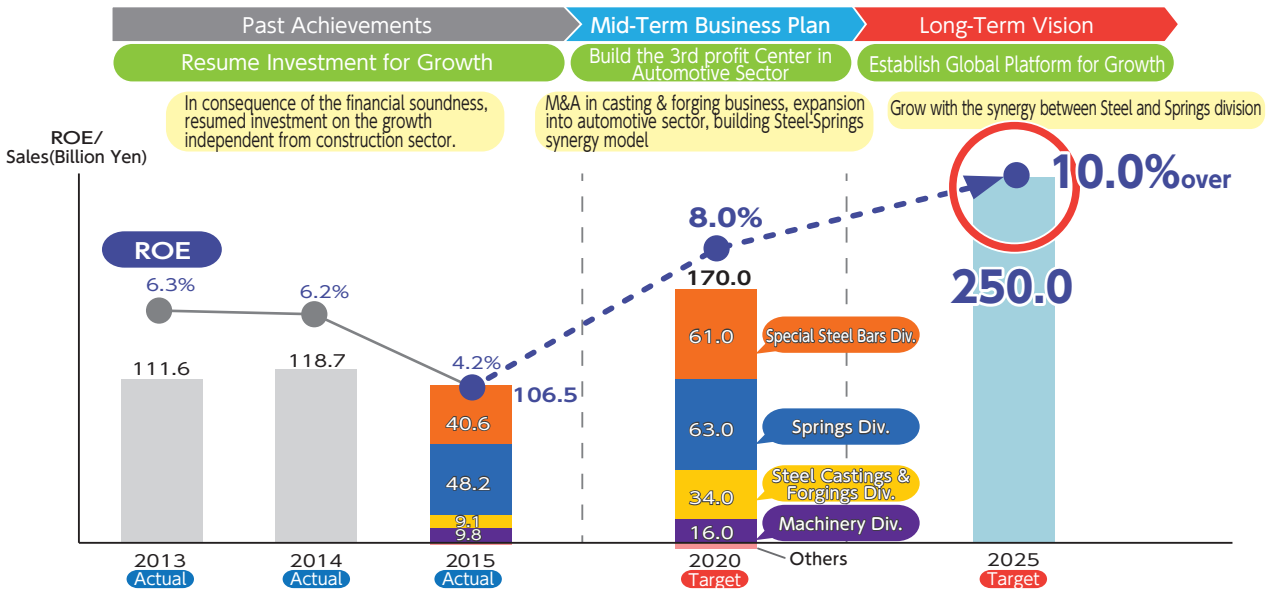
Three Tactics



Mid-term Business Plan

In FY2020, generate 170 Billion Yen sales and 8% ROE by M&A in casting & forging business and thriving automotive sector.
 In FY2025, generate 250 Billion Yen sales and more than 10% ROE with profits from the synergy between Steel and Springs divisions, which is one of the key initiatives in the mid-term business plan.

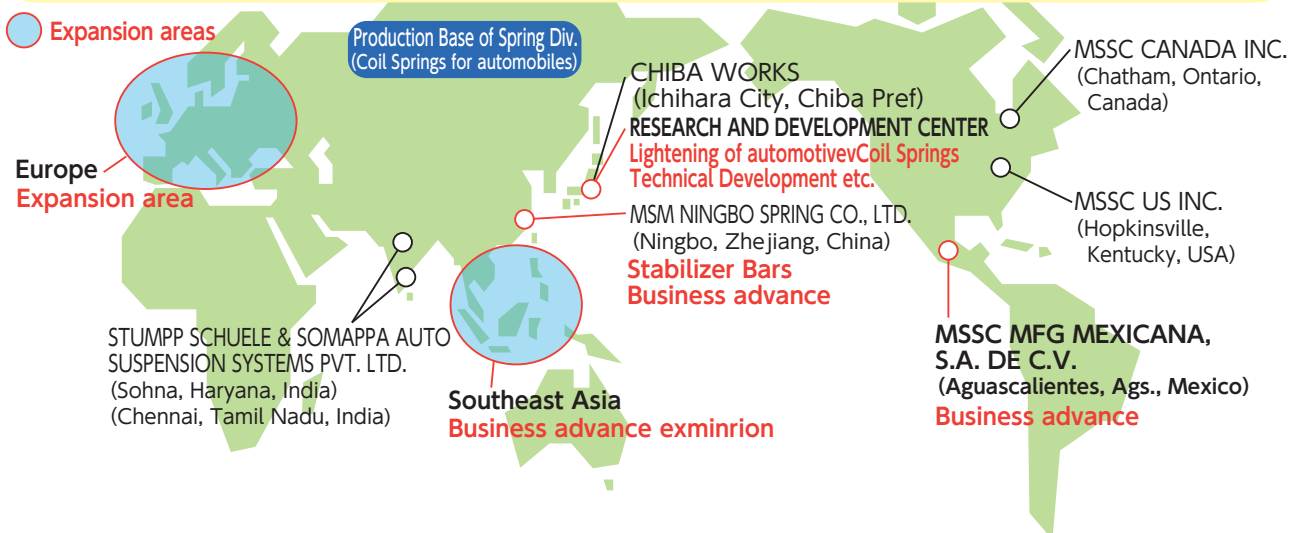
Initially, we will establish a synergistic model for manufacturing and processing special steel between the special steel bars business and the springs business, and we are rolling it out globally. Furthermore, it is our aim for the formed and fabricated products business to be the third pillar of our operations behind the special steel bars business and the springs business, allowing us to develop an integrated production model, in which we create added value from materials.



The Three tactics

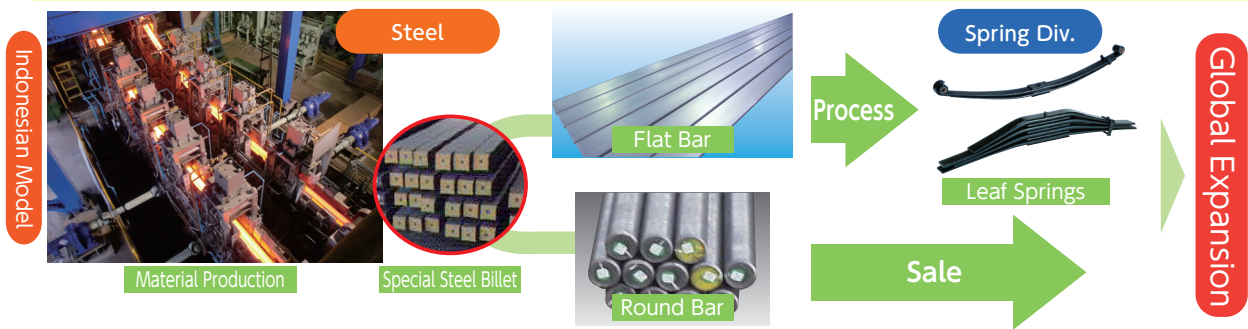
1 Build a worldwide supply chain for Springs business

By entering the Mexican and European markets, we are further pursuing globalization in our spring manufacturing sites. Also, global expansion and lightening of springs are essential to cater to the demands of the automotive industry. In response to the demand for lighter springs from automobile manufacturers we are accelerating development by concentrating the technology and know-hows of the special steel bars business at the Research & Development Center that we established in April.



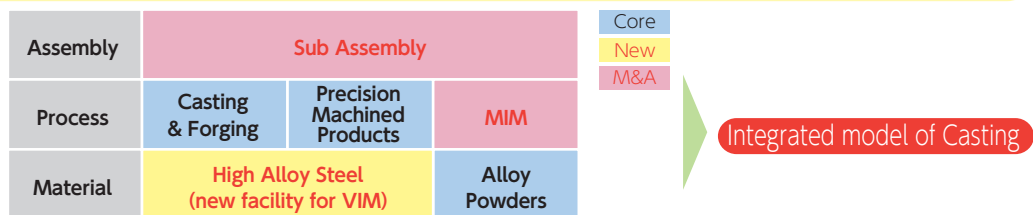
2 Strengthen “Proceeding Special Steel” business model and generate benefits from Indonesia

In Indonesia, we have perfected an integrated production model from materials to processing through the synergy of the special steel bars business and the springs business, allowing us to market low-cost leaf springs globally. Furthermore, we are marketing special steel bars, primarily in South-East Asia, and in the future, we hope to expand the same model in North America and India.



3 Build “Creating Added Value from Materials” business model in casting & Forging business.

We are moving from the foundation of manufacturing turbocharger components (at present, these are forged and cast products) to enter the subassembly field. We also aim at setting up a special smelting furnace to manufacture high alloy steel in-house, and incorporating MIM (injection molding technology that uses alloy powder), among other things, in order to create an integrated production model from materials to sub assembly in the turbocharger field. Going forward, we anticipate being involved with M&A and alliance, etc.



Addition of the turbocharger sub assembly level

Key Initiatives

We are promoting the five agendas for transformation through the 10 key initiatives. Reinforcing domestic functions is the reverse side of overseas business development. Accelerating overseas business development is our central agenda in the medium and long term.

- 5 Agendas for Transformation
- Reinforce domestic functions
- Accelerate overseas business development
- Build an effective organization (Structural reform of Headquarters)
- Synergy among the Divisions
- Synergy with Partners (Alliance, M&A)

10 Key Initiatives

- Investment on renewal of Muroran (MSR) - Steel
- Worldwide supply chain of Springs - Springs
- Strengthen technological development of Springs - Springs
- Expand Steel sales in Indonesia - Steel
- Strengthen internal synergy(cross-functional project) - HQ
- R&D Center - HQ
- Expand Leaf Springs sales in worldwide - Springs
- Expand Steel sales in worldwide - Steel
- Integrated model of Casting(M&A) - Castings
- Integrated model of Casting (internal manufacturing of material) - Castings

CSR Promotion

The Group has formulated the Basic CSR Policy based on our Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct, and we are promoting CSR activities accordingly. The Mitsubishi Steel Group Code of Conduct is based around the six central pillars of “business activities,” “compliance,” “disclosure,” “respect for employees,” “environmental conservation,” and “globalization.” We are working to raise employees’ awareness of CSR by releasing 11 statements regarding these areas.

Basic CSR Policy

We aim to be a more reliable business by fulfilling our social mission, and we will contribute to the realization of a sustainable society through dialogue with all stakeholders, including customers, suppliers, shareholders, employees, and local communities, based on our Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct.

Mitsubishi Steel Group Code of Conduct (Revised November 26, 2015)

The purpose of the “Mitsubishi Steel Group Code of Conduct” is to ensure that the company is in line with expectations of society while retaining its flexibility to accommodate demands from a rapidly changing business environment to pursue sustainable global endeavors. All executives and employees of the group’s companies share the responsibility to abide by the Code of Conduct.

- | | |
|-----------------------------------|---|
| Business Activities | 1. Supply high quality and functional products along with excellent services consistently to satisfy customer needs to play a part in the progress of society. |
| | 2. Focus on developing unique and advanced technology by mobilizing various areas of expertise developed within the organization to strive for profit and improved corporate value through efficient operation. |
| | 3. Cultivate a corporate culture that encourages people to take on a challenge without fear of failure for continuous growth. |
| | 4. Dedicate ourselves to improvement of society through business conduct, tapping into the opinions of all stakeholders. |
| Compliance | 5. Comply with the laws and regulations or code of ethics in society for transparent, fair, and equitable transactions under free competition. |
| | 6. Never be involved with destructive forces that pose a threat to peace and safety of civic society. |
| Disclosure | 7. Disclose corporate information in a timely and appropriate manner to ensure transparency while protecting privileged information pertaining to employees and customers. |
| Respect for employees | 8. Respect human rights, character, and the individuality of employees along with diversity in the workforce, and never discriminate on the basis of difference in characteristics. |
| | 9. Galvanize the company by fostering human resources as well as ensuring a safe and pleasant work environment. |
| Environmental conservation | 10. Get actively involved in protecting the environment in all aspects of business activities with a heightened awareness that conservation of the global environment is one of the most crucial challenges facing mankind. |
| Globalization | 11. Respect local culture and customs as well as comply with all international rules and local laws and regulations when conducting global business. |

Topics

Given changes, etc. in social expectations and the business environment, we have revised the Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct. The new Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct have been provided to all overseas and domestic Group companies.

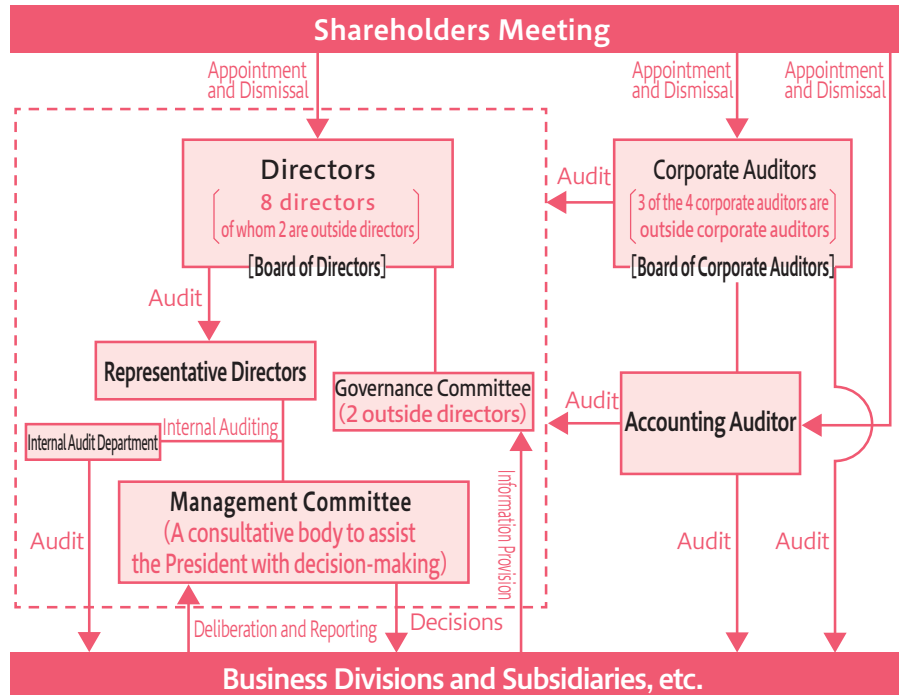
Corporate Governance

The Group recognizes the importance of the establishment of a corporate structure that is able to respond to any changes in the business environment, and we have designated “achieving sustainable global expansion by fostering competitive businesses” as our basic management policy. In order to achieve this, we recognize the importance of having comprehensive corporate governance and swift and reasonable decision-making processes, while also ensuring that we have functions for their oversight.

Corporate Governance System

We released the Basic Policy for Corporate Governance in fiscal 2015, and we have revised the Rules of the Board of Directors in line with this, added important matters that are necessary for the pursuit of efficient corporate governance to the deliberation and reporting standards, and we are strengthening the oversight functions of the Board of Directors by ensuring full exchange of information and pooling of knowledge, etc. between independent outside directors in the Governance Committee, which is a subordinate organization of the Board of Directors.

The Basic Policy for Corporate Governance is available on our website.



*Outline shown is as of October 2016.

Major Points Concerning Internal Control

◎ Enhancing functions of the Board of Directors and the Board of Corporate Auditors

The Board of Directors is where the direction of the entire Group's management strategy is determined, and it has been making decisions concerning the formulation of our basic management policy, other matters stipulated by the relevant laws and the articles of incorporation, and important matters relating to management, as well as conducting oversight of the execution of directors' duties while giving consideration to the streamlining of decision-making processes. Furthermore, meetings of the Board of Directors are attended by outside directors and outside corporate auditors to ensure the fairness and transparency of executive decision-making.

◎ Deliberation on executive decisions by the Management Committee, as well as strengthening compliance and risk management

We hold weekly management meetings with directors, corporate auditors, fellows, general managers, and managers of the Corporate Planning Sections and Administration. At the meetings, we discuss important executive matters, compliance, and risk management, and implement actions as appropriate.

◎ Internal controls relating to financial reporting

The Internal Control Committee and the Board of Directors have determined that internal controls relating to financial reporting in fiscal 2015 are valid according to generally accepted evaluation standards. Furthermore, we have received an opinion from an audit corporation to the effect that this evaluation is appropriate.

Convening Meetings of the Board of Directors and Board of Corporate Auditors

As a rule, meetings of the Board of Directors and Board of Corporate Auditors are to be held once each month. Each outside officer also actively expresses their opinions from a range of viewpoints, and thoroughly fulfills their management oversight functions.

Meetings held in fiscal 2015

	Meetings held	Attendance by outside officers 5 (of whom 3 are outside corporate auditors)
Board of Directors	14	100%
Board of Corporate Auditors	14	97%

Risk Management

In order to continue sound business activities, we are promoting enhancement of risk management functions to respond swiftly and appropriately to actual or anticipated risk, and we are working to prevent initial occurrence of risk.

Risk Management System

The Company's Management Committee investigates and considers the risks faced in the course of the Group's business activities. The Management Committee was convened 60 times in fiscal 2015. Important matters are deliberated on by the Board of Directors, based on the Rules of the Board of Directors, and the system of understanding and managing risks that arise in the course of business activities is strengthened.

Business Continuity Plan

The Group's BCP (business continuity plan) is managed by the Corporate Planning Department, and implemented throughout the Company. Particularly at Head Office and the Chiba Works, etc., which are located in the Tokyo metropolitan area, we have established a unified organization, we hold bi-monthly Tokyo metropolitan area disaster prevention meetings, and are enhancing promotion of the BCP.

We are introducing a Safety Confirmation System for the purpose of swiftly and accurately confirming the safety of all employees in the event of a disaster.

Furthermore, we distribute one day's worth of evacuation kits in addition to maintaining three days' worth of emergency supplies at each location. Apart from this, we constantly promote conducting of earthquake preparedness evaluations at each building that we own and participation in crisis response simulation training with no advance scenario* for the purpose of employee education.

*Training to encourage thinking of the appropriate actions when involved in a mock emergency without knowledge of the training scenario



1-day evacuation kit

Management of Confidential Information

At the Company, we disclose essential information in a timely and appropriate manner. In addition, we have formulated the Confidential Information Management Rules, and we ensure thorough security management of information assets from customers, employees, and other relevant parties, etc. that must be protected.

In fiscal 2015, we introduced a system of sending external email copies to superiors and providing a passwords to attached files automatically, in order to strengthen email security.

We have also stipulated rules for the protection of specific personal information of employees, and we have applied them to the individual number (social security and tax number system).

© Non-disclosure agreements

In order to prevent leaks of confidential matters, employees are required to submit a "pledge concerning the non-disclosure of information" when first joining the company.

Through periodic education, we encourage awareness of the importance of management of confidential information, which leads to the prevention of information leaks.

Overseas Risk Management Measures

We have put emergency measures in place to afford expatriate staff, their families, and those traveling overseas for business purposes, a secure lifestyle, even if they are living in a completely different environment to Japan, which is comparatively safe and clean.

We cooperate with a specialist overseas risk management company in creating a system that provides Japanese-language medical and security (crime and disaster relief, etc.) advice and help 24 hours a day, 365 days a year, anywhere in the world.

Also, we value daily international communication, such as by sharing information between the Head Office and overseas locations if there are any warnings concerning weather events or protests, etc.

Privacy Policy

The Mitsubishi Steel Privacy Policy is available on the website.

<http://www.mitsubishisteel.co.jp/cont/kojinjouhou.htm>

We had no instances of personal information leaks in fiscal 2015.

Compliance

The Group is conducting business practices that comply with laws and social norms as indicated by the Mitsubishi Steel Group Code of Conduct.

Compliance Initiatives

The Group works to develop and implement a compliance system by deliberating on whether execution of operations comply with the law through the Management Committee and the Board of Directors. We also link group-wide audits conducted by the Board of Corporate Auditors with internal audits of the execution of employees' duties conducted by the Internal Audit Department.

◎ Compliance education

The Group is working to ensure that thorough compliance education is conducted.

During training, unique ideas are implemented so that they relate themselves to compliance issues, such as by taking examples from actual events and using them as teaching materials as appropriate to the level of training, and engaging in discussions as necessary.

Going forward, we will continue to conduct training in order to further improve awareness of compliance and ensure penetration among officers and all group employees.



Compliance training

Preventing Connections with Antisocial Forces

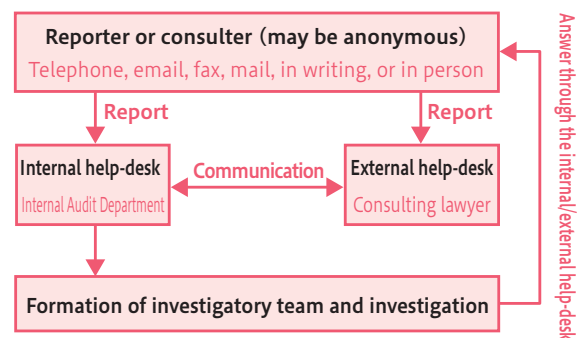
The Group is resolutely against antisocial forces and has stipulated that no dealings with them will be allowed, as indicated by the Mitsubishi Steel Group Code of Conduct. Based on this, we have concluded a Memorandum Concerning the Exclusion of Antisocial Forces with each of our suppliers. We additionally work to ensure compliance with the Mitsubishi Steel Group Code of Conduct, such as by providing instruction on preventing interaction with antisocial forces and remaining resolute to avoid succumbing to threats and improper demands in our employee education.

Internal Reporting System

The internal reporting system utilizes internal and external help-desks outside of the workplace to receive reports and provide advice should any of the Group's employees become aware of illegal or improper acts, or where there may be a problem and for whatever reason finds it difficult to discuss the issue in the workplace.

Reports can be made by telephone, email, fax, mail, in writing, or in person, and we also accept anonymous reports.

The internal reporting system and subsequent processes



Number of reports and consultations

Fiscal year	FY 2012	FY 2013	FY 2014	FY 2015
Number	2	3	3	6

*There were no serious breaches of the law, etc. between fiscal 2012 and fiscal 2015.

With our Shareholders and Investors

The company is working to make fair, timely, and appropriate disclosure in addition to pursuing improvements to increase corporate value and maintain a sound business base.

Information Published on the Website

We continually post new information on the website and publish important information in a fair, timely, and appropriate manner. In addition, we are working to post information other than that required by laws and regulations, such as topics and CSR information.

In fiscal 2015, we developed the Basic Policy for Dialogue with Shareholders and Investors, which expresses our basic attitude towards information disclosure, and we posted it on the website.



Website top page

Communication with Shareholders

We issue Shareholder's Report at the conclusion of both the fiscal year and the second quarter. We use graphs and pictures to present results, segment information, and topics, etc. in a manner that is easy for shareholders to understand and that deepens shareholder understanding of the Group.



The Shareholder's Report booklet

General Meeting of Shareholders and Shareholder Discussion Meeting

The Company holds a shareholder discussion meeting immediately following the annual general meeting of shareholders for the purpose of exchanging information with shareholders. At the meeting we utilize business content description panels, product displays, and videos describing the production process, etc., as well as explanations from the President, directors, general managers, and sales managers. We consider this to be an important opportunity to directly receive the opinions of our shareholders.



The shareholders discussion meeting

Financial Results Briefing

The Company holds regular financial results briefings for securities analysts and institutional investors (in May and November). Mitsubishi Steel Muroan Inc. also conducted a factory tour in March, which allowed people to view each manufacturing process. Based on the requests made at the financial results briefings, we plan to hold similar events at other factories.



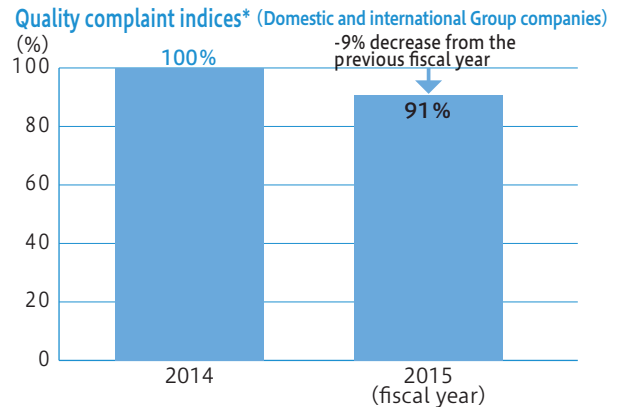
Financial results briefing

With Our Customers

The Sales, Manufacturing, and Quality Assurance Sections work together to contribute to the growth of society by continuing to offer products that satisfy our customers and earn their trust.

Improving Customer Satisfaction

In order to ensure that the Group's products satisfy our customers and earn their trust, the Sales, Manufacturing, and Quality Assurance Sections work together to improve quality. When there are customer complaints, the head of operations and other responsible parties at the manufacturing plant hold complaint resolution meetings. During quality meetings, they investigate the causes of the complaints and ensure that the necessary measures are thoroughly implemented on a continuing basis. As a result, the Quality Complaint Index for fiscal 2015 showed a 9% decrease from the previous fiscal year.



*Quality Complaint Index: The number of complaints in FY2014 is designated as 100%.

Status of ISO and Other Quality Certifications

[ISO 9001]

Facilities in Japan

Name of facility	Date certification acquired
Chiba Works	December 2003
Hirota Works	October 2008

Domestic subsidiaries

Name of company	Date certification acquired
Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.	March 1995
Mitsubishi Steel Muroran Inc.	March 2015

Overseas subsidiaries

Name of company	Date certification acquired
MSM CEBU, INC.	March 1998
MSM (THAILAND) CO., LTD.	March 1999

[ISO/TS 16949]

Overseas subsidiaries

Name of company	Date certification acquired
MSSC CANADA INC.	July 2004
MSSC US INC.	September 2004
MSM (THAILAND) CO., LTD.	February 2007
MSM Ningbo Spring Co., Ltd.	October 2009

Handling Harmful Chemical Substances

Standards for management of harmful chemical substances are being instituted worldwide, and there are increasing demands for products that do not contain these substances. The Group has set up systems for managing any harmful chemical substances in our products in response to customer demands that we meet the European RoHS Directive and the REACH Regulations. We also issue documents concerning substances of environmental concern, guaranteeing that we avoid deliberately using them as additives.

[Harmful Chemical Substances Related to Quality Assurance]

- Lead and lead compounds
- Cadmium and cadmium compounds
- Mercury and mercury compounds
- Hexavalent chromium
- Polybrominated biphenyl (PBBs)
- Polybrominated diphenyl ether (PBDE)
- etc.

Evaluations from Customers

We have received the following commendations from our customers:

Customer	Nature of award	Mitsubishi Group
GAC Toyota Motor Co., Ltd.	Quality Cooperation Award	MSM Ningbo Spring Co., Ltd.
Tianjin FAW Toyota Motor Co., Ltd.	Quality Achievement Award	MSM Ningbo Spring Co., Ltd.
Sichuan FAW Toyota Co., Ltd. (Changchun Fengyue Company)	Quality Achievement Award	MSM Ningbo Spring Co., Ltd.
General Motors Company	GM Supplier Quality Excellence Award (GM Quality)	MSSC CANADA INC.
General Motors Company	※ GM Service On-Time Delivery	MSSC CANADA INC.

※ GM Customer Care and Aftersales, Certificate of Excellence Gold Supplier Status

With Our Business Partners

In order to provide products and services that satisfy our clients' needs, as outlined in the Mitsubishi Steel Group Code of Conduct, we conduct honest and fair business, and work together with our business partners ensure that our procurement activities are in accordance with all applicable laws and regulations and are conducted with concern for protecting the environment, ensuring safety, and guaranteeing human rights.

The Mitsubishi Steel Group's Guidelines for Purchasing Materials

1. Observance of laws, regulations, and societal norms (thorough inculcation of the principles of compliance)
2. Conducting honest and fair business and building partnerships
3. Concern for the global environment
4. Concern for human rights and workers' health and safety
5. Promoting socially responsible purchasing

- At Mitsubishi Steel, we conduct internal audits to confirm that no compliance violations occur in our procurement transactions and that we are abiding by all provisions of laws related to the Subcontract Act and other relevant regulations. In addition, we conduct periodic training sessions for relevant persons within the company, based on the Manual for the Subcontract Act, in order to provide the responsible parties and anyone else connected with these matters a more thorough understanding of the laws.

[Training Sessions in fiscal 2015]

Content of the session	Number of training sites
Internal auditing of Purchasing Departments	3
Internal education about Purchasing	4

- In all our dealings with business partners, we offer opportunities for honest and fair business, and we strive to build solid partnerships with all our business partners and maintain and improve these relationships based on trust.
- When selecting business partners and materials to purchase, we encourage consideration for reducing the environmental burden in our procurement activities.
- We encourage consideration for basic human rights and workers' health and safety in our procurement activities.
- <Avoidance of Conflict Minerals>
- In the interest of protecting human rights, we purchase raw materials only with the assurance that they are conflict-free. We also respond to customers' investigations of our supply chain as needed.
- We explain our guidelines for materials to our business partners and ask them to understand and cooperate with us in promoting socially responsible procurement.

Working with Our Business Partners

We explain the basic concepts of our materials purchasing guidelines to our principal business partners, and urge them to cooperate in observing all laws and regulations and show concern for the global environment. At all of our sites, we work with our business partners to resolve problems related to human rights, the work environment, or environmental protection. All Purchasing Sections at each worksite or Group company undergo internal audits of compliance and receive continuous training on the laws concerning subcontractors.

© The activities of Mitsubishi Steel Muroan, Inc.

Every year, at the kōryōkai, or Cooperative Association Meeting of executives, Mitsubishi Steel Muroan provides specific explanations of the details of its purchasing guidelines and efforts, to promote the understanding that they are expected to implement similar activities. All members of the Cooperative Association Meeting promote socially responsible procurement.

[Voice]

We in the Cooperative Association Meeting join with Mitsubishi Steel Muroan in conducting a safety patrol once a month as part of our efforts to protect workers' health and safety. In the future, we plan to cooperate with one another more thoroughly and join forces as we strive to carry out our corporate responsibilities.



Chairman, the Kōryōkai (Cooperative Association Meeting), Mitsubishi Steel Muroan Inc.
Masaaki Nakamura
 Managing Executive Officer,
 Yoshikawa Kogyo Co., Ltd.
 General Manager, Muroan Branch

With Our Employees (Safety and Health)

Based on its concept of “Safety always comes first,” the Group promotes the creation of a comfortable workplace environment that allows employees to work in safety and health.

Safety and Health Initiatives

In each location, a Safety and Health Committee consisting of members from the company and the labor union has been established. As well as sharing information related to safety and health, the Committee works to prevent work-related accidents and to maintain, manage, and promote employee health.

When an accident occurs, not only is the cause analyzed, but countermeasures are also put in place, and this information is shared with other locations.



Safety and Health Committee meeting at the Hirota Works

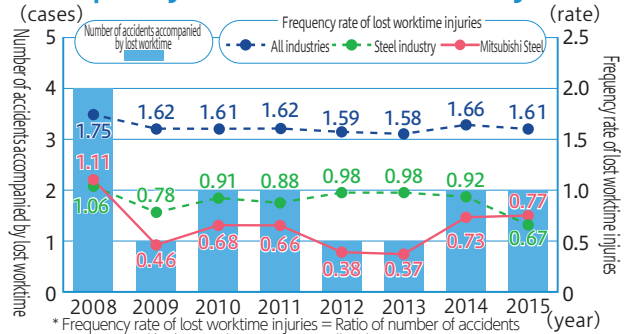
Safety Initiatives

With the aim of eradicating workdays lost to accidents, safety and health patrols by senior management were implemented at each work location and subsidiary. All sites were inspected and in places where accidents had occurred, the causes of the accident and countermeasures to improve the situation were confirmed.



Senior management safety and health patrol (Chiba Works)

Frequency rate of lost worktime injuries

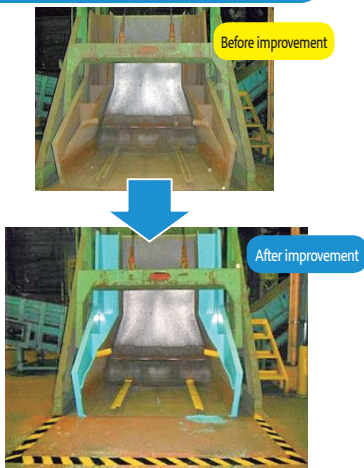


* Frequency rate of lost worktime injuries = Ratio of number of accidents accompanied by lost worktime per one million hours
Data has been calculated as the total of Mitsubishi Steel Mfg. Co., Ltd. and Mitsubishi Steel Muroran Inc.

Safety Activities in Each Location

By conducting repeated inspections of the workplace, we expose unseen dangers and, on such occasions, implement necessary countermeasures.

Example of improvements (Hirota Works)



Clarifying “Do not enter” zone



Improving safety awareness by conducting hazard prediction training (Chiba Works)

By repeatedly conducting education and training we raise receptivity to safety issues and implement initiatives to prevent danger throughout the workplace.

With Our Employees (Safety and Health)

◎ Forklift Skills Contest held

Forklift Skills Contests were conducted at each location. Loads were transported on a predetermined course, with the aim of enhancing the safety, accuracy, and efficiency of transport operations.



Chiba Works



Hirota Works

◎ Implementing fire and disaster prevention training

Regular fire and disaster prevention training is conducted at all locations. We work to improve our capabilities with the help of reviews conducted by the local fire department.

At the head office we conduct courses in basic first aid as part of our fire and disaster prevention training. To learn more about emergency response, personnel from the fire department with jurisdiction for the area are invited as instructors in such areas as practical training in CPR and in the use of AED equipment.

At the Chiba Works, evacuation and fire prevention drills were conducted based on the assumption that an earthquake of magnitude 6 had occurred with an epicenter off the east coast of Chiba. As the Works is on the coast, personnel practiced secondary evacuation to the second floor of buildings on the assumption that a tsunami had occurred, in addition to training in rescue, transport and application of first-aid for the wounded, and the use of indoor fire hydrants in water-discharge training.



Basic first-aid course (head office)



In-house fire brigade performing fire-fighting drills (Chiba Works)

◎ Safety and health initiatives in overseas production sites

The Group has production sites in North American and Asian regions, and is working on safety and health activities through establishment of basic policies for safety and health at each location. We are working to reduce the recurrence of accidents that have occurred at locations within the Group and at other companies and are sharing information with production sites in Japan and overseas.

Health Management

As well as providing guidance from doctors specializing in occupational health and public health nurses for employees who are deemed to require medical treatment or detailed testing based on regular health checkups or physical examinations, we actively work on in-house recreation and club activities, while striving to promote employee health and communication within the company.

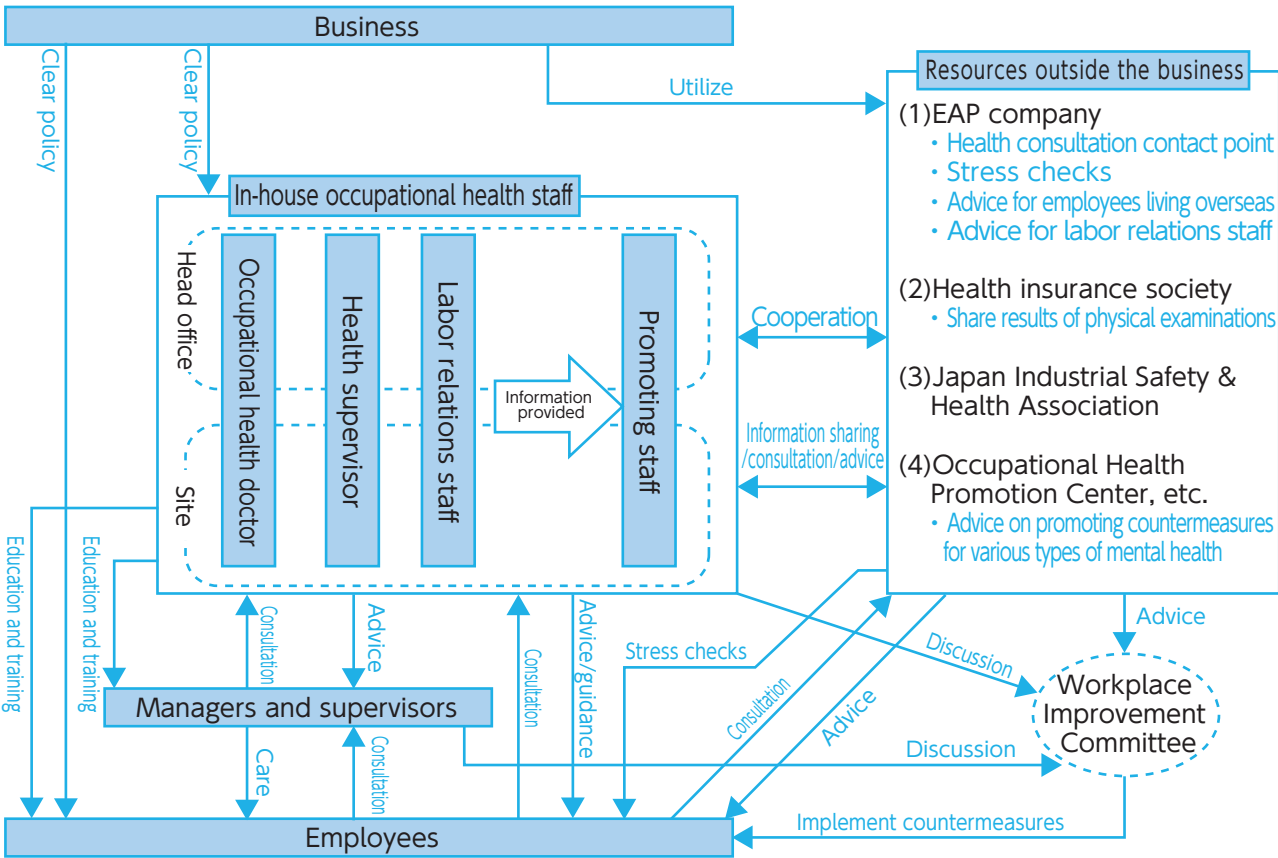
◎ **Mental health education**

We provide training related to mental health for instructors, and carry out education on mental health at each site. Through provision of education via in-house instructors, we enable guidance that suits the specifics of each location.

◎ **Launch of “Mitsubishi Steel Health Support”**

By outsourcing operations to an external company, we have established an external point of contact through which employees concerned about their physical or mental health can consult doctors, nurses, and industrial counselors. These services can be used for free all year round by telephone or online in order to obtain advice on various problems that may occur in professional life. It is also possible to obtain face-to-face counselling. Because privacy is strictly protected, these services can be used with confidence.

“Mitsubishi Steel Health Support” system



With Our Employees (Human Rights and Employment)

As well as respecting human rights, the Group makes every effort to maintain a workplace environment in which it is easy to work and where personal and professional lifestyles are in balance.

Respect for Human Rights

The Group has established respect for the rights, character, individuality, and diversity of our employees and does not commit acts of discrimination according to the Mitsubishi Steel Group Code of Conduct. The Company works to raise awareness of human rights by participating in the Mitsubishi Human Rights Enlightenment Council in order to attend presentations and to exchange opinions with others involved in considering human rights issues at other companies in the Mitsubishi Group. In addition, we have established an advice hotline for employees to counter harassment, devised preventive measures to guard against infringement of human rights, and implemented training for counselors to enable them to respond promptly and appropriately to human rights issues.

Leveraging Diverse Human Resources

◎ Promoting female advancement

Promoting the advancement of female employees is one of management's designated strategies. We are enriching our systems related to childcare and the number of employees returning to continue work after taking childcare leave is rising. We are also widening the scope of our activities, such as educating new graduates in the foundations of manufacturing by having them receive training at the various factories, and by assigning employees to overseas locations in order to nurture human resources capable of participating at a global level. Our goals for promoting female advancement up to 2020 include "Female employee ratio of 15%" and "Five female managers." In order to form a base for these efforts we are expanding our hiring of female employees and moving to install welfare facilities for women at company sites.

- Training with external instructors

With the aim of raising career awareness among female employees and facilitating communication between managers and their female subordinates, we have invited external instructors to conduct diversity training.

- Improving the work environment

The Company is moving ahead with initiatives to install female showers, refurbish toilets and so on, in order to make the work environment more pleasant for female employees.

◎ Employees with disabilities

We consider the employment of persons with disabilities to be part of a company's social responsibility and we are working toward its implementation. While establishing an environment that enables each individual to realize their full potential, we also aim to achieve the 2% or higher legally mandated employment rate for persons with disabilities in the future.

◎ Re-employment of elderly staff

To leverage and pass on the skills and knowledge of employees after retirement age, we are re-hiring those who express interest and providing a space for them to continue contributing.



Diversity training

Work-Life Balance

As part of our efforts to support childcare for employees who are raising children, we provide support exceeding that mandated by law and, in consideration of the ageing of society, we are also working to bolster our systems for supporting those providing nursing care for others. We promote the maintenance of a workplace environment that balances work and home life.

Childcare leave regulations

Period of leave	Can be deferred until the child is a maximum of 18 months old
When childcare leave is not requested	Until the child is 3 years old, measures allowing exemption from overtime work on request
Leave for nursing children	Until the child reaches the 3rd year of elementary school, up to 5 days annually in the case of 1 child, or up to 10 days in the case of two children
Reduction in normal working hours	Until the child is 3 years old, a reduction in normal working hours of 6 hours a day (hours to be adjusted on a case-by-case basis)
Exemption from overtime work	Until the child is 3 years old, the employee is exempted from overtime work
Restrictions on overtime work	Until the child attends elementary school, limited to 24 hours a month, 150 hours a year
Restrictions on working late at night for childcare reasons	Until the child attends elementary school, standing exemption from working late at night on request

Nursing care leave regulations

Period of leave	For each applicable family member, a maximum of 1 year
When nursing care leave is not requested	Exemption from overtime work on request
Nursing care leave	Up to 5 days annually in the case of 1 applicable family member, or up to 10 days in the case of two or more family members
Shortened working hours for nursing care reasons	Up to 1 year
Restrictions on overtime work for nursing care reasons	Up to 24 hours a month, 150 hours a year
Restrictions on working late at night for nursing care reasons	Standing exemption from working late at night on request

Labor Data

Labor data (non-consolidated)

Fiscal year	2010	2011	2012	2013	2014	2015
Number of employees	839	817	793	785	762	737
(Male)	767	745	718	707	682	658
(Female)	72	72	75	78	80	79
Average age	42	42	42	43	44	44
Average years of employment	19	20	20	20	21	19
Number hired	4	16	10	15	9	16
(Male)	3	13	8	11	6	11
(Female)	1	3	2	4	3	5

Paid annual leave taken (average per person)

Fiscal year	2010	2011	2012	2013	2014	2015
Days taken	9.1	9.9	9.1	9.8	10.1	10.7
Days taken rate (%)	45	49	46	49	51	53

With Our Employees (Developing Human Resources)

The Group makes every effort to maintain a workplace environment that balances personal and professional lifestyles. We also offer a variety of training, matched to job type and career, to allow employees to realize their full potential.

Developing Human Resources

◎ Initiatives for developing new graduates

In terms of initiatives to develop new-graduate human resources, in addition to orientation that focuses mainly on the basics of new-graduate life, we operate a 3-month development program of practical training at the factories. After being assigned, as part of the mentoring system, for each new hire an older employee is appointed who is in charge of their education, offers advice, and helps with their development.

New-graduate training program

Period	Training details	
April	Orientation	<ul style="list-style-type: none"> • Health and safety education • Mental health education • Compliance education • Business manners training • Communication training • Business English training • Self-Defense Forces experience training, etc.
May - July	Factory practical training	Practical training at the factory in the basics of manufacturing <ul style="list-style-type: none"> • Hirota Works • Mitsubishi Steel Muroran Inc. • Chiba Works



<Assignment>

From assignment in August to the third year after entering the company, the mentoring system is used to carry out one-to-one education and guidance by means of a senior, but still young, employee. The objective is to develop the new graduate from an early stage and to dispel any concern towards work.



New-graduate training

◎ Rank-specific training

In order for each individual employee to master the skills they need to perform their roles, we implement rank-specific training.

Rank-specific training implemented in fiscal 2015

Trainees	Training details
Senior management, general managers, and managers	Diversity training Creating a corporate climate for promoting female advancement
Mid-ranking employees (14 - 17 years after entering company)	Improving the ability to work in such a way as to engage those around them, motivate team members, and enhance communication skills.
Mentors	Enhancing communication skills to enable them to work in a well-organized and proactive manner, cooperating with others and considering task priorities.



Rank-specific training (manager training)

◎ Incentive system for acquiring public qualifications

In order to help raise motivation to obtain public qualifications and in personal development, we have set up an incentive system for acquiring public qualifications. When an employee acquires a public qualification, they are eligible for a reward, the amount of which depends on the qualification type. Such qualifications cover a wide range, from bookkeeping and industrial counseling, to electrician, crane operators, and so on.

◎ Introduction of e-learning

We have introduced e-learning as a personal development training tool. This can be used with a smartphone and users can study freely without restrictions on time and place. Users can choose a course from a broad curriculum, ranging from language study and management-related issues such as mental health, to knowledge related to technology and skills and administrative PC work. As a continuous initiative to encourage self-improvement, the office publishes materials related to e-learning on a regular basis to promote usage.

◎ Developing global human resources

[Overseas training system]

In order to maximize human resources who are capable of working overseas, we introduced an overseas training system in 2008, to which we send not only those from sections that deal directly with overseas operations but also those from administrative sections.

The 2-year postings allow employees to improve their linguistic skills while receiving practical training in the business, deepen their understanding of the uniqueness of the country's systems and culture, and develop the flexibility to respect different values. In the future we expect them to play active roles either while again posted overseas or in Japan, as employees who can drive our overseas-related operations.



Training at an overseas location

[Voice]

I came as an overseas trainee to PT. JATIM TAMAN STEEL MFG. in Indonesia to study the language and to assist with technical guidance. A year and a half has passed since I was posted to Indonesia, and I have stopped being surprised by issues such as communication difficulties caused by differences in language and thinking between Japanese and local people. While giving technical guidance, I have realized that things which can easily be done in Japan fail repeatedly here, which has made me aware of the high level of technological expertise in Japan.



Hikaru Matsuhira
JATIM Project Department
Mitsubishi Steel Muroran Inc.

[Cebu English Study Abroad System]

As a means of rapidly training employees with a strong need for English, we have implemented the Cebu English Study Abroad System. Students spend three months on the island of Cebu, in the Philippines, taking a short-term course at a local university to improve their English, and practicing for up to nine hours a day, including four hours of one-to-one lessons.



One-to-one lessons

[Voice]

In order to improve my English ability in a short time, I put the emphasis not only on input but also on output, trying to communicate proactively with the teachers and students from other countries and creating as many opportunities to use English as possible. In business English lessons I was able to learn some formal expressions and developed English that I can use in practical situations. As this was the first time I had lived abroad, I was surprised at times by the differences between the Philippines and Japan, but thanks to the support of those around me I managed to acclimatize.

Madoka Takada
Corporate Planning
Department

◎ Training before overseas posting

For those employees who are scheduled to be posted overseas, we are working to expand and ingrain the instruction given before departure. For a short while before beginning the posting, participants study the culture and social background of their country of posting in order to deepen their ability to understand local staff, as well as undergoing training in overseas crisis management. We also introduce accompanying family members to organizations who can counsel them with regard to life overseas and their children's education. By preparing them fully, we establish an environment in which they can actively participate in their overseas lives.

With Local Communities

As a member of the local community, our goal is to actively communicate in order to live in harmony with society, while becoming involved in a variety of social and local contribution activities.

Volunteer Activities

◎ Support activities in disaster areas

• Support for disaster areas hit by floods in India

At MSM SPRING INDIA PVT. LTD. (India), three people, including the president of the local subsidiary, took part in distribution of relief supplies through “World Vision,” an organization whose social contribution activities the Company has previously supported. Supplies were distributed to 19 low-income households in the areas that suffered great damage from the floods of December 2015. The supplies included wheeled street stall carts, coal irons, a three-wheeler equipped with a product platform, an entire set of products to open a shop, cooking pots for each household, plastic buckets and plastic chairs. We will continue to conduct local social contribution activities going forward.



The three-wheeler with product platform in the relief supplies

• Support for the Kumamoto earthquake disaster area

In terms of support for the Kumamoto region hit by earthquakes in April 2016, Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. provided supplies such as foodstuffs, water, and portable toilets, while Mitsubishi Steel Mfg. Co., Ltd., Mitsubishi Steel Muroran Inc. and Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. together contributed a total donation of 1.5 million yen. In addition, employees of the Company carried out volunteer work such as disposing of roof tiles shaken loose by the earthquake and dismantling and removing concrete block walls.

◎ Picture book donation program

In fiscal 2013, we endorsed and began our involvement in the “Picture book donation program” operated by the Shanti Volunteer Association (SVA), which provides educational support to children in Asia. In order to support children for whom it is difficult, both economically and socially, to provide education due to poverty or conflict, translation stickers are attached to Japanese picture books and delivered to countries with inadequate library systems. In fiscal 2015, we attached three types of translation stickers to picture books for delivery to children, namely in the Lao (Laos), Burmese (Myanmar), and Dari (Afghanistan) languages. We have continued these activities in fiscal 2016.



Attaching translation stickers to picture books

Exchanges with Local People

• Yawata Seaside Festival

The Chiba Works participates in the planning of the Yawata Seaside Festival, which is held by a combination of organizations such as the local town assembly and the neighborhood store association working together with local companies belonging to the Yawata Seaside Town Assembly Federation. By assisting in the planning of the festival and running stalls, we work to facilitate communication with the local community.



Yawata Seaside Festival (Chiba Works)

• Hirota Works Bon Odori gathering

Every August, the Hirota Works holds a Bon Odori gathering. This is attended not only by the employees of the Hirota Works and of partner companies, but also by local residents, making for a lively evening.



Bon Odori gathering (Hirota Works)

• Factory tours for local residents

The Hirota Works invited residents from the surrounding autonomous district and conducted a factory tour. This factory tour was performed at the request of the district councilors at the annual environmental explanatory meeting.

• Muroran Family Festival

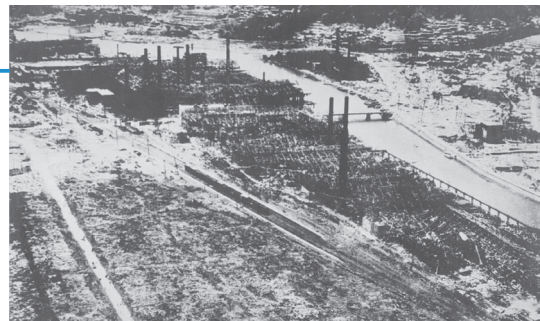
Mitsubishi Steel Muroran Inc. participates in the “Muroran Family Festival” planned and managed primarily by the companies located within the grounds of Nippon Steel & Sumitomo Metal Corporation’s Muroran Works, through which employees and their families help deepen local friendships by taking part in team sports competitions and the like.

• Mitsubishi Steel Nagasaki Steel Works atomic bomb victims memorial service

The former Nagasaki Steel Works of Mitsubishi Steel Mfg. Co., Ltd. was located in Nagasaki City, Nagasaki Prefecture. Every year on August 9, a memorial service is held for the more than 1,400 former colleagues who died at work after the atomic bombing. In addition, with the approach of the 70th anniversary of the bombing, as well as to pray for peace for the souls of the many victims of the explosion, we have set up an explanatory plaque to pass on the history of how the Nagasaki Steel Works overcame hardships in this region in order to rebuild itself.



Memorial to the atomic bomb victims of Mitsubishi Steel Nagasaki Steel Works



Mitsubishi Steel Nagasaki Steel Works after the atomic bombing

Environmental Management

Building and operating an environmental management system to promote an active approach to environmental conservation initiatives.

- Global warming countermeasures
- Reducing and recycling waste
- Managing environmental impact

Mitsubishi Steel Group Environmental Policy

With the amendment of the 2004 version of ISO 14001 to the 2015 version, we have reviewed the Group's environmental policy.

Environmental Philosophy

Get actively involved in protecting the environment in all aspects of business activities with a heightened awareness that conservation of the global environment is one of the most crucial challenges facing mankind.

Code of Conduct

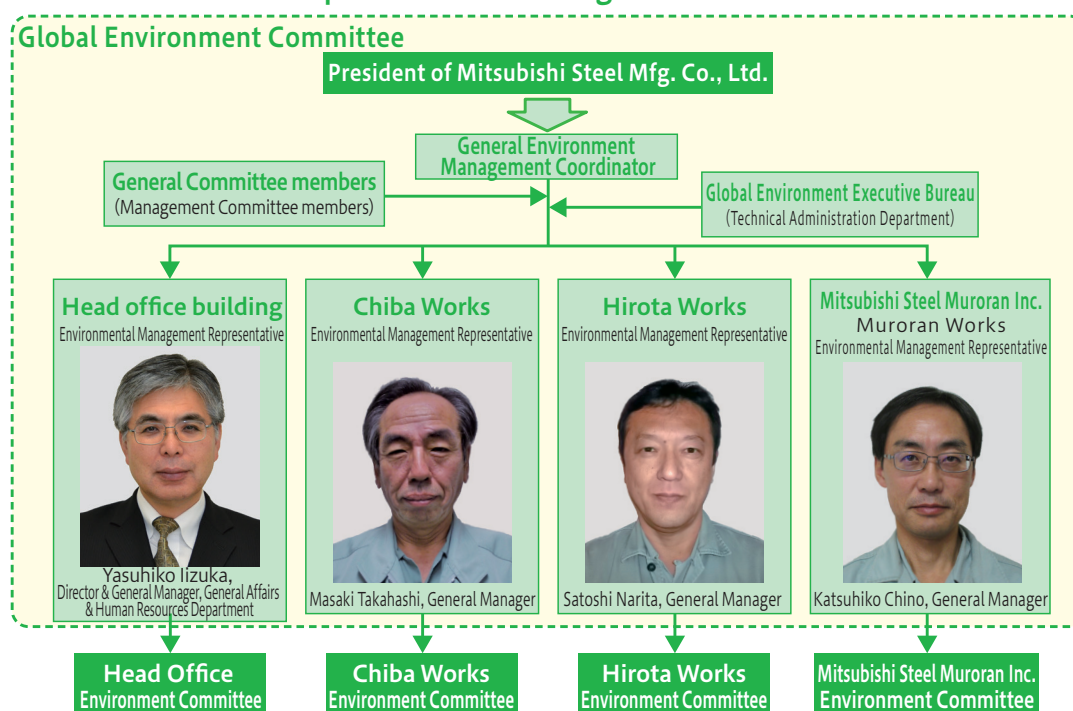
1. As an organization which contribute toward a sustainable society through manufacturing, take the environment into consideration at all stages of business activities including from product development and design to manufacturing.
2. Set environmental purposes and goals based on corporate environmental policy and conduct periodic review.
3. Engage in environmental conservation activities, such as prevention of pollution, application of sustainable resources, climate change mitigation as well as other environmental conservation, throughout all areas of business activities.
4. Comply with environmental laws and regulations as well as other requirements which we consent.
5. Pursue continuous improvement in environmental management system through implementation of PDCA cycle, for the better performance in environmental activity.
6. Inform environmental policy to every member of our group through education and intra-group publication, and disclose the policy to stakeholders.

Revised in Mar. 15, 2016

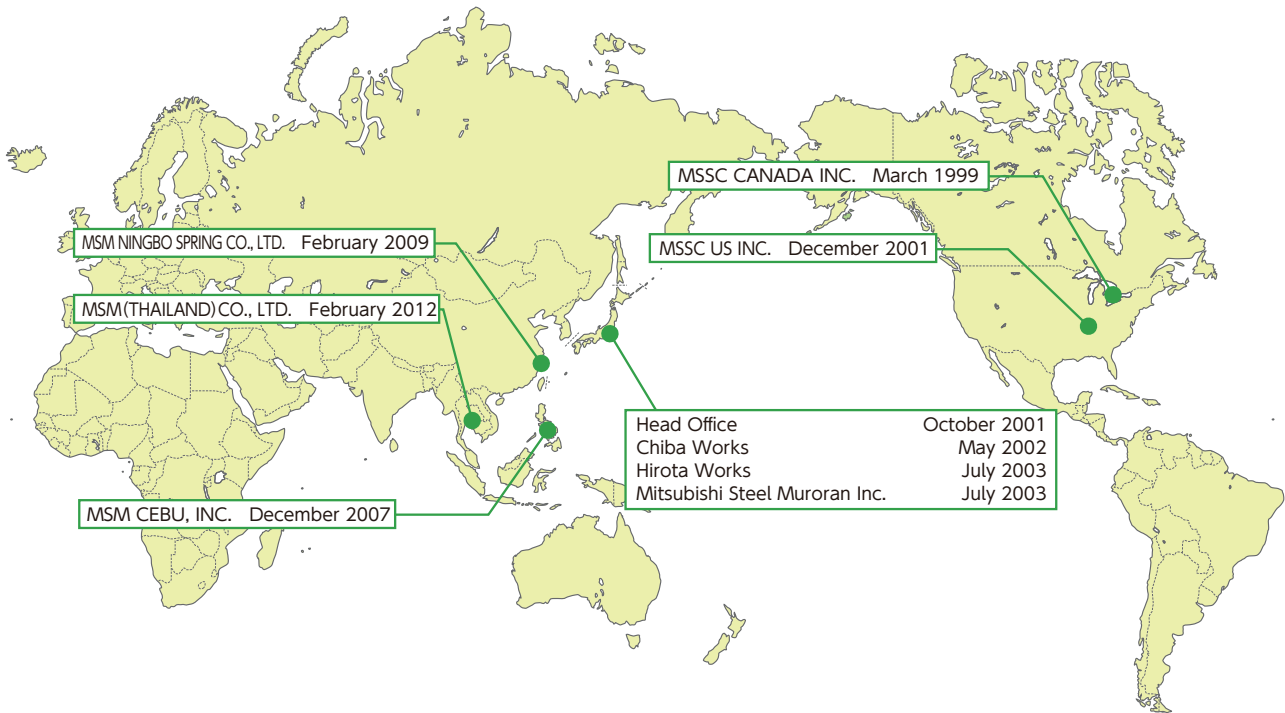
Environmental Management Organization

We have created a company-wide organization with the Global Environment Committee at its core to work on environmental conservation initiatives.

<Mitsubishi Steel Group Environmental Organization Chart>



State of ISO 14001 Certification

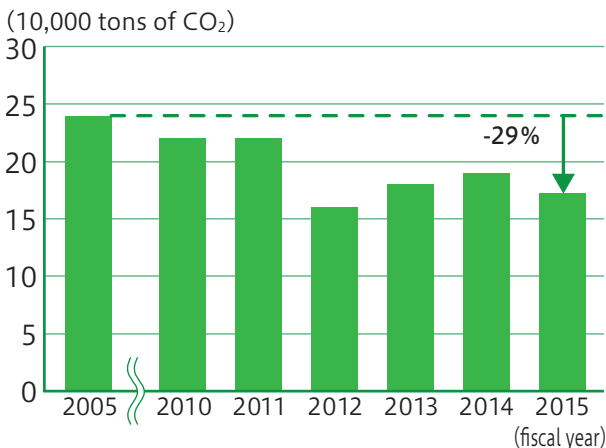


Global Warming Countermeasures

Change in CO₂ Emissions

CO₂ emissions in fiscal 2015 totaled 174,000 tons for the domestic sites, a decrease of 29% since fiscal 2005. Fiscal 2005 is currently the base year for the greenhouse gas reduction targets to which Japan has made international commitments. In addition, while our target was to reduce CO₂ emissions on a per-unit of production basis by 1% year on year, the actual result was a rise of 9%.

Change in total CO₂ emissions at domestic sites



(CO₂ on per-unit basis)

Target: reduction of 1% or more year on year

0.32 tons-CO₂/ton
(FY2014)



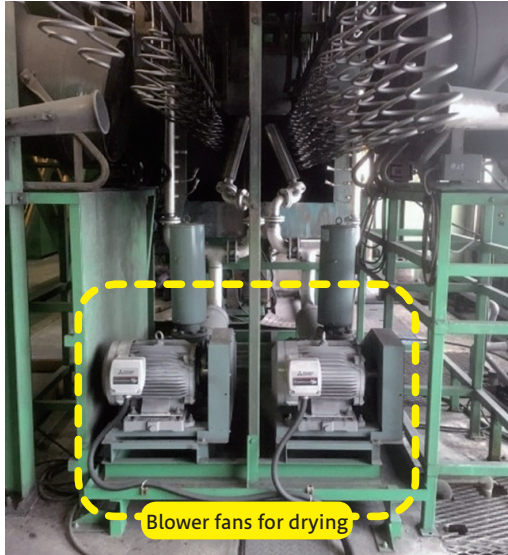
0.35 tons-CO₂/ton
(FY2015)

* Per-unit basis = CO₂ emissions (tons)/Production volume (tons)

Global Warming Countermeasures

All sections are working on activities to reduce CO₂ emissions.

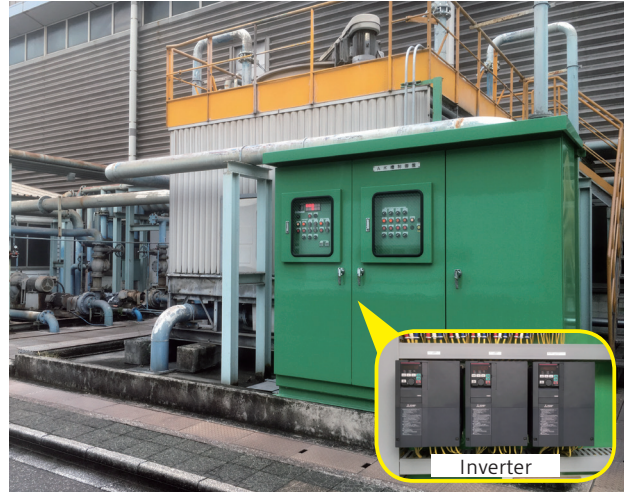
Reducing Power for Compressor: Chiba Works



Drying blower fans for use after the pre-coating treatment

By using blower fans to replace the compressed air previously used to dry the coil springs after the pre-coating treatment, electricity consumption has been cut by 70,000 kWh p.a. (37 tons of CO₂).

Reducing Power for Cooling Water Pump: Chiba Works



Water tank control panel

When the time came to update the aging control panel for the water tank, we converted the cooling water circulation pump to use an inverter. By using pressure control to limit the speed of the electric motor, we are working to reduce electricity consumption and CO₂ emissions.

Reducing Ignition Gas: Mitsubishi Steel Muroran Inc., Muroran Works



Preheating the ladle

The two pieces of equipment used to preheat the steelworks ladle were updated with an energy-saving type of generator burner with high waste heat efficiency. As a result, we have achieved reductions in the amount of ignition gas used in the steelworks of 12% over the previous level.

Reducing and Recycling Waste

We are working on initiatives to reduce and recycle waste generated by operational activities.

Reducing Oily Water from the Air Drain: Chiba Works



Compressor room



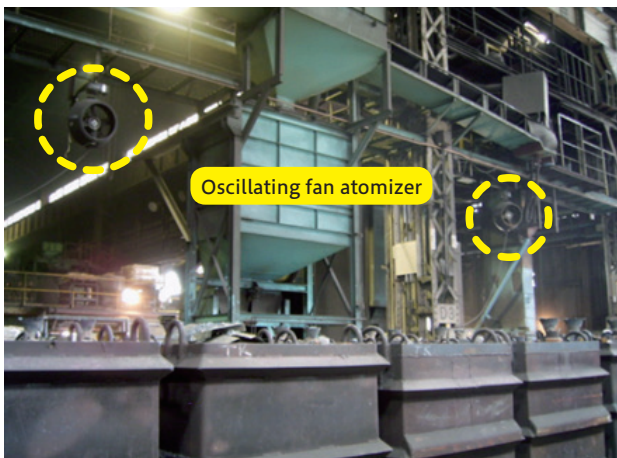
Drain processing equipment

By using processing equipment to purify the drain water (water contaminated with oil) that is generated by the air compressor, we achieved a reduction in the amount of waste oily water discharged.

Managing Environmental Impact

In order to reduce our environmental impact we are working to grasp the effects of our operational activities on the environment, while taking further steps to comply with environmental laws and regulations.

Reducing Odors: Hirota Works



Using casting-line fan to eliminate odors



Eliminating odors from the ducts of the mold manufacturing workshop

Odors from the resin incorporated into the mold, generated when the molds are manufactured and when molten steel is poured into the mold, were dissolved and removed by means of a neutralizing agent, resulting in an improved work environment within the factory and preventing emissions outside the factory.

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